

**Crawford County Road Commission  
Grayling, Michigan  
Financial Report  
With Supplementary Information  
Year Ended September 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Crawford County Road Commission</b>	County <b>Crawford</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>12/10/04</b>	Date Accountant Report Submitted to State: <b>1/13/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

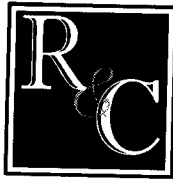
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Robertson &amp; Carpenter CPAs LLP</b>			
Street Address <b>P.O. Box 308</b>	City <b>Mio</b>	State <b>MI</b>	ZIP <b>48647-0308</b>
Accountant Signature 		Date <b>1/14/05</b>	

# **Crawford County Road Commission**

## **Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	2-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15-27
<b>Required Supplementary Information</b>	
Statement of Revenues and Other Financing Sources - Budgetary Comparison Schedule	28
Statement of Expenditures - Budgetary Comparison Schedule	29
<b>Supplementary Information</b>	
Analysis of Changes in Available Operating Balances	30
Analysis of Revenues	31
Analysis of Expenditures	32



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### INDEPENDENT AUDITOR'S REPORT

Board of County Road Commissioners  
Crawford County  
Grayling, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Crawford County Road Commission as of and for the year ended September 30, 2004, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Crawford County Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Crawford County Road Commission as of September 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Road Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003.

The management's discussion and analysis and budgetary comparison information on page 2 through page 9 and pages 28-29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Robertson & Carpenter, LLP*

Robertson & Carpenter LLP  
Certified Public Accountants  
December 10, 2004

## **CRAWFORD COUNTY ROAD COMMISSION** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Crawford County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the year ended September 30, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

### **Overview of the Financial Statements**

This annual report consists of four parts--management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

### **Reporting the Commission as a Whole**

#### **Government-Wide Statements**

The statement of net assets and the statement of activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Reporting the Commission as a Whole (Continued)**

**Fund Financial Statements**

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page 3. The fund financial statements begin on page 4 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

**Financial Analysis of the Road Commission as a Whole**

The Road Commission's net assets decreased approximately (0.02%), or (\$557), from \$2,483,169 to \$2,482,612 for the year ended September 30, 2004. The net assets and change in net assets are summarized below.

**Net Assets**

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$280,285 during the year ended September 30, 2004. The primary reason for the increase was a decrease in heavy maintenance expenditures for road projects. Declining gasoline tax revenue negatively impacted net assets.

The investment in capital assets, net of related debt decreased by (\$280,842). The decrease in net assets is primarily the result of depreciation exceeding additional investment in capital assets for the year ending September 30, 2004. The depreciation for the current year's infrastructure additions are depreciated in the current year.

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Financial Analysis of the Road Commission as a Whole (Continued)**

Net assets as of year ended September 30, 2004 follows:

	<u>2004</u>	<u>2003</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,665,888	\$1,453,230	\$ 212,658	15 %
Capital Assets	<u>2,336,764</u>	<u>2,693,445</u>	<u>(356,681)</u>	(13) %
Total Assets	<u>4,002,652</u>	<u>4,146,675</u>	<u>(144,023)</u>	(3) %
Long-Term Debt Outstanding	931,559	1,019,910	(88,351)	(9) %
Other Liabilities	<u>588,481</u>	<u>643,596</u>	<u>(55,115)</u>	(8) %
Total Liabilities	<u>1,520,040</u>	<u>1,663,506</u>	<u>(143,466)</u>	(9) %
Net Assets				
Invested in Capital Assets				
Net of Debt	1,463,951	1,744,793	(280,842)	(16) %
Restricted	<u>1,018,661</u>	<u>738,376</u>	<u>280,285</u>	38 %
Total Net Assets	<u>\$2,482,612</u>	<u>\$2,483,169</u>	<u>\$ (557)</u>	-0- %

Changes in Net Assets

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Road Commission data will be presented.

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Financial Analysis of the Road Commission as a Whole (Continued)**

A summary of changes in net assets for the year ended September 30, 2004 follows:

	Governmental Activities
Program Revenue	
License and Permits	\$ 18,584
Federal Grants	61,505
State Grants	2,629,659
Contributions From Local Units	175
Charges for Services	986,383
Investment Earnings	8,196
Property Rentals	3,902
Other Contributions	101,580
General Revenue	
Gain on Equipment Disposal	<u>8,897</u>
Total Revenue	<u>\$ 3,818,881</u>
Expenses	
Public Works	3,762,106
Interest Expense	<u>57,332</u>
Total Expenses	<u>3,819,438</u>
Increase (Decrease) in Net Assets	\$ <u>(557)</u>

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended September 30, 2004, the fund balance of the general operations fund increased \$267,354 as compared to a decrease of (\$230,602) in the fund balance for the year ended September 30, 2003. Total operating revenues were \$3,818,881, a decrease of (\$607,114) as compared to last year. This change in revenues resulted primarily from a decrease in Federal/State exchange of \$(558,212), there was also a decrease in Michigan Transportation Funds due to reduced gas tax collections \$(180,251). Total expenditures were \$3,566,368, a decrease of \$(1,112,124) as compared to last year. This change in expenditures is due primarily to a decrease in primary road heavy maintenance projects of \$(980,496). There was an increase of \$175,545 in state Trunkline maintenance and non-maintenance and a decrease in net capital outlay in the amount of \$(289,991) from the prior year.

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Financial Analysis of the Road Commission as a Whole (Continued)**

A summary of changes in the Operating Fund is as follows:

	9/30/04 Operating Fund	9/30/03 Operating Fund	Favorable (Unfavorable) Variance	Variance %
<b><u>Revenues</u></b>				
License and Permits	\$ 18,584	\$ 24,501	\$ (5,917)	(24) %
Federal Grants	61,505	248,654	(187,149)	(75) %
State Grants	2,629,659	3,131,021	(501,362)	(16) %
Contributions From Local Units	175	117,860	(117,685)	(100) %
Charges for Services	986,383	881,907	104,476	12 %
Interest and Rents	12,098	16,881	(4,783)	(28) %
Other Revenue	110,477	5,171	105,306	2036 %
<b>Total Revenues</b>	<b>3,818,881</b>	<b>4,425,995</b>	<b>(607,114)</b>	<b>(14) %</b>
<b><u>Expenditures</u></b>				
Public Works	3,782,344	4,618,942	(836,598)	(18) %
Net Capital Outlay	(364,477)	(74,486)	(289,991)	(389) %
Debt Service	148,501	134,036	14,465	11 %
<b>Total Expenditures</b>	<b>3,566,368</b>	<b>4,678,492</b>	<b>(1,112,124)</b>	<b>(24) %</b>
<b>Excess of Expenditures Over (Under) Revenues</b>	<b>252,513</b>	<b>(252,497)</b>	<b>505,010</b>	<b>200 %</b>
<b>Other Financing Sources</b>				
Proceeds From Lease	14,841	21,895	(7,054)	(32) %
<b>Total Other Financing Sources</b>	<b>14,841</b>	<b>21,895</b>	<b>(7,054)</b>	<b>(32) %</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>267,354</b>	<b>(230,602)</b>	<b>497,956</b>	<b>216 %</b>
<b>Fund Balance—Beginning</b>	<b>814,041</b>	<b>1,044,643</b>	<b>(230,602)</b>	<b>22 %</b>
<b>Fund Balance—Ending</b>	<b>\$1,081,395</b>	<b>\$ 814,041</b>	<b>\$267,354</b>	<b>33 %</b>

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Budgetary Highlights**

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for the year ended September 30, 2004 was \$20,425, lower than the original budget primarily due to the Road Commission reallocating revenue between areas within the budget. The actual revenue recognized during the year ended September 30, 2004 was greater than the final amended budget by \$202,822, there were immaterial unfavorable variances in some revenue line-items. (See Page 28 for details)

The final amended expenditure budget for the year ended September 30, 2004 was \$190,325, lower than the original budget primarily due to the Road Commission not purchasing as much in capital assets during the year. There was also a reallocation of some expenditures to various areas of the budget. The actual expenditures recognized during the year ended September 30, 2004 were more than the final amended budget by \$105,368. There were a few unfavorable variances in expenditure line-items. (See Page 29 for details)

**Capital Asset and Debt Administration**

Capital Assets

As of September 30, 2004, the Road Commission had invested \$2,336,764 in capital assets. This amount represents a net decrease (including additions and deductions) of \$(356,681) or (13)% as follows:

	<u>2004</u>	<u>2003</u>	<u>Total Percentage Change 2003/2004</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 73,092	\$ 73,092	-0- %
Subtotal	73,092	73,092	-0- %
Capital Assets Being Depreciated			
Buildings	1,924,597	1,924,597	-0- %
Equipment	3,724,648	3,786,240	(2) %
Depletable	50,282	50,282	-0- %
Infrastructure	22,804	-0-	N/A
Subtotal	5,722,331	5,761,119	(1) %
Total Capital Assets	5,795,423	5,834,211	(1) %
Total Accumulated Depreciation	(3,458,659)	(3,140,766)	10 %
Total Net Capital Assets	\$ 2,336,764	\$ 2,693,445	(13) %

**CRAWFORD COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Capital Asset and Debt Administration (Continued)**

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$22,804. The infrastructure recorded, during the year ended September 30, 2004, was depreciated in the current year. The infrastructure is financed through federal, state and local contributions.

This year's major capital asset additions included the following:

Infrastructure - Bicycle path	\$ 22,804
Road Equipment	40,967
Shop Equipment	<u>8,713</u>
Total Additions	\$ <u>72,484</u>

There were two capitalized leases renegotiated during the year ended September 30, 2004 with additional lease proceeds in the amount of \$14,841 that paid accrued interest on the two leases due prior to the renegotiation. The two leases are for two motor graders, the remaining equipment was acquired with Road Commission funds.

During the year ended September 30, 2004, the Road Commission traded in and/or disposed of equipment (road, shop, office and engineer) with a purchase amount of \$111,272, related depreciation of \$105,398, and net book value of \$5,874.

Debt

At the year end, the Road Commission had \$872,813 in bonds and capitalized leases versus \$948,652 last year, a decrease of 8% as shown below:

	<u>2004</u>	<u>2003</u>	<u>Variance</u>	<u>% of Variance</u>
Bonds Payable	\$ 390,000	\$ 450,000	\$ (60,000)	(13) %
Capitalized Leases	<u>482,813</u>	<u>498,652</u>	<u>(15,839)</u>	(3) %
Total	\$ <u>872,813</u>	\$ <u>948,652</u>	\$ <u>(75,839)</u>	(8) %

During the year ended September 30, 2004, the only new debt was two renegotiated capitalized leases for two motor graders in the amount of \$14,841.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note 9 to the financial statements.

**CRAWFORD COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Economic Factors and Next Year's Budget**

The board of county road commissioners considered many factors when setting the fiscal year ending September 30, 2005 budget. One of the factors is the economy. The Road Commission derives approximately 67% of its revenues from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive \$156,770 (6%) less Michigan Transportation Fund revenues in the year ended September 30, 2005. The Road Commission received approximately -0-% of its revenues from township contributions during the year ended September 30, 2004, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During the year ended September 30, 2005, we expect to receive at least \$533,365 in federal and state aid for road projects. The above items were considered when adopting the budget for the year ended September 30, 2005. Amounts available for appropriation in the budget are \$4,175,364, an increase of 15% over the year ended September 30, 2004 budget of \$3,630,900.

**Contacting the Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Crawford County Road Commission's administrative offices at 500 Huron, P.O. Box 648, Grayling Michigan, 49738-0648.

**Crawford County Road Commission**  
**Statement of Net Assets**  
**September 30, 2004**

**ASSETS**

Cash	\$ 788,357
Accounts Receivable:	
State Department of Transportation:	
Motor Vehicle Highway Funds	432,215
Trunkline Maintenance	(22,011)
Other	129,232
Due on County Road Agreements	204
Sundry	1,067
Inventories:	
Road Materials	182,059
Equipment Material and Parts	65,608
Prepaid Insurance	75,896
Deferred Expense	13,261
Capital Assets (Net of Accumulated Depreciation)	2,336,764
Total Assets	<u>4,002,652</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	206,450
Accrued Liabilities	45,133
Accrued Interest	3,988
Advances	243,851
Deferred Revenue - Other	89,059
Noncurrent Liabilities	
Bonds Payable - Due Within One Year	60,000
Capitalized Leases - Due Within One Year	59,218
Bonds Payable - Due After One Year	330,000
Capitalized Leases - Due After One Year	423,595
Compensated Absences - Due After One Year	58,746
Total Liabilities	<u>1,520,040</u>

**Net Assets**

Investment in Capital Fixed Assets	
Net of Related Debt	1,463,951
Restricted for County Road	1,018,661
Total Net Assets	<u>\$ 2,482,612</u>

See Accompanying Notes to Financial Statements

**Crawford County Road Commission**  
**Statement of Activities**  
**Year Ended September 30, 2004**

**Program Expenses**

Primary Road Maintenance	\$ 799,586
Local Road Maintenance	1,494,329
State Trunkline Maintenance and Non-Maintenance	1,027,460
Net Equipment Expense	73,185
Net Administrative Expense	364,980
Infrastructure Depreciation	285
Salt Storage Sheds Depreciation	14,793
Interest Expense	57,332
Compensated absences	(12,512)

Total Program Expenses	<u>3,819,438</u>
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**Program Revenues**

Licenses and Permits	18,584
Federal Aid	61,505
State Aid	2,629,659
Contributions from Local Units	175
Charges for Services	986,383
Investment Earnings	8,196
Property Rentals	3,902
Other Contributions	101,580

Total Program Revenues	<u>3,809,984</u>
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<b>Net Program Revenues</b>	(9,454)
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**General Revenue**

Gain on Equipment Disposal	<u>8,897</u>
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Total General Revenue	<u>8,897</u>
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<b>Change in Net Assets</b>	(557)
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<b>Net Assets</b>	-----	October 1, 2003	<u>2,483,169</u>
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<b>Net Assets</b>	-----	September 30, 2004	<u>\$ 2,482,612</u>
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See Accompanying Notes to Financial Statements

**Crawford County Road Commission**  
**Balance Sheet**  
**September 30, 2004**

	Governmental Fund Type
	General Operating Fund
<b><u>ASSETS</u></b>	
Cash	\$ 788,357
Accounts Receivable:	
State Department of Transportation:	
Motor Vehicle Highway Funds	432,215
Trunkline Maintenance	(22,011)
Other	129,232
Due on County Road Agreements	204
Sundry	1,067
Inventories:	
Road Materials	182,059
Equipment Material and Parts	65,608
Prepaid Insurance	75,896
Deferred Expense	13,261
Total Assets	\$ <u>1,665,888</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities	
Accounts Payable	\$ 206,450
Accrued Liabilities	45,133
Advances	243,851
Deferred Revenue - Other	89,059
Total Liabilities	<u>584,493</u>
Fund Equities	
Fund Balance	
Unreserved and Undesignated	1,081,395
Total Fund Equities	<u>1,081,395</u>
Total Liabilities and Fund Equities	\$ <u>1,665,888</u>
 <b>Total Governmental Fund Balance</b>	 \$ 1,081,395
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets is	\$ 5,795,423
Accumulated depreciation is	<u>(3,458,659)</u>
	2,336,764
Long term liabilities are not due and payable in the current period and are not reported in the fund statements.	
Bonds payable	(390,000)
Capitalized leases	(482,813)
Compensated absences	(58,746)
Accrued interest is not included as a liability in governmental funds	<u>(3,988)</u>
 <b>Net Assets of Governmental Activities</b>	 \$ <u>2,482,612</u>

See Accompanying Notes to Financial Statements

**Crawford County Road Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended September 30, 2004**

<b>Revenues</b>		
Licenses and Permits	\$	18,584
Federal Aid		61,505
State Aid		2,629,659
Contributions from Local Units		175
Charges for Services		986,383
Interest and Rents		12,098
Other Revenue		<u>110,477</u>
Total Revenues		<u>3,818,881</u>
<b>Expenditures</b>		
Public Works		3,782,344
Net Capital Outlay		(364,477)
Debt Service		<u>148,501</u>
Total Expenditures		<u>3,566,368</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		252,513
<b>Other Financing Sources</b>		
Proceeds From Lease Purchase Agreements		<u>14,841</u>
Total Other Financing Sources		<u>14,841</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>		267,354
<b>Fund Balance -----</b> October 1, 2003		<u>814,041</u>
<b>Fund Balance -----</b> September 30, 2004	\$	<u><u>1,081,395</u></u>

See Accompanying Notes to Financial Statements

**Crawford County Road Commission**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2004**

**Net Change in Fund Balance - Total Governmental Funds** \$ 267,354

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation expense.

Depreciation expense	\$	(423,291)	
Capital Outlay		<u>72,484</u>	
			(350,807)

Accrued interest is recorded in the statement of activities when incurred; it is not recorded in governmental funds until paid	490
--	-----

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	60,000
---	--------

Repayment of capitalized lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	30,679
--	--------

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	12,512
--	--------

Capitalized lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the statement of net assets	(14,841)
--	----------

Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities	<u>(5,944)</u>
--	----------------

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>(557)</u></b>
--	------------------------

See Accompanying Notes to Financial Statements

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Crawford County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Crawford County Road Commission.

Effective October 1, 2003, the Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion and Analysis (MD & A) section providing an analysis of the Road Commission's overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using the full accrual accounting for all of the Road Commission's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

**A. Reporting Entity**

The Crawford County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member elected Board of County Road Commissioners, appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to the County Board of Commissioner's approval. The Crawford County Road Commission has not levied any taxes.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Crawford County Road Commission, a component unit of Crawford County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Crawford County Road Commission. There is only one fund reported in the government-wide financial statements.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and then modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Crawford County Road Commission as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-year's-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	33-50 years	Office Equipment	5-10 years
Road Equipment	5-8 years	Depletable Assets	5-10 years
Shop Equipment	10 years	Roads	8-30 years
Engineering Equipment	5-10 years	Bridges	12-50 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave)

The Road Commission allows its employees to accumulate vacation pay to the maximum of 15 days and accumulate an unlimited number of sick pay hours. The sick pay vests when an employee attains the age of 55 and 5 years of seniority. The potential liability for these benefits at September 30, 2004 is approximately \$58,746 and has been recorded in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and adopts the budget following the public hearing. The budget is amended as necessary during the year, and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations are as follows:

	Final Budget	Actual	Variance
Local Road Maintenance	\$ 1,185,000	\$ 1,214,462	\$ 29,462
Local Road Structure Maintenance	170,000	268,177	98,177
State Trunkline Nonmaintenance	-	128,133	128,133
Equipment Expense Net	25,000	73,185	48,185
Debt Service - Interest	45,000	57,822	12,822

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

The cash and investments are classified by in the following categories:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ 788,157
Investments in Securities, Mutual Funds, etc.	-
Petty Cash and Cash on Hand	200
	<u>\$ 788,357</u>

Michigan Compiled Laws, Section 129.91, authorized the Road Commission to deposit and invest in the accounts of federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government for federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated with the two highest classifications, which mature not more than 270 days after the purchase date; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of Public Act 20 of 1943.

The deposits of the Road Commission were reflected in the accounts of three financial institutions at \$802,323, of which \$155,593 is covered by federal depository insurance.

The Road Commission did not have any investments at September 30, 2004 which are subject to risk categorization.

**NOTE 4 - DEFERRED COMPENSATION PLAN**

The Crawford County Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Crawford County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the Crawford County Road Commission's financial statements.

**NOTE 5 - FEDERAL GRANTS**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2004, the Federal aid received and expended by the Road Commission was \$ - 0 - for contracted projects and \$61,505 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated contracts are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

**NOTE 6 - LEASE COMMITMENT**

At September 30, 2004 the Road Commission had a lease commitment for the Managing Director's vehicle. The lease was entered into on December 30, 2003, requires a monthly payment of \$546, concluding on December 30, 2006. Lease expense for the year ended September 30, 2004 was \$5,456.

Future lease payments are due as follows: Year ended September 30:

2005	\$	6,547
2006		6,547
2007		<u>1,637</u>
Total	\$	<u><u>14,731</u></u>

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity of the Crawford County Road Commission for the current year was as follows:

	Beginning Balances 10/1/03	Additions	Deductions	Ending Balances 9/30/04
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 73,092	\$ -	\$ -	\$ 73,092
Capital Assets Being Depreciated				
Buildings	1,924,597	-	-	1,924,597
Equipment - Road	3,581,602	40,967	108,184	3,514,385
Equipment - Shop	55,651	8,713	1,067	63,297
Equipment - Office	142,504	-	521	141,983
Equipment - Engineer	6,483	-	1,500	4,983
Depletable Assets	50,282	-	-	50,282
Infrastructure - Roads	-	22,804	-	22,804
Subtotal	<u>5,761,119</u>	<u>72,484</u>	<u>111,272</u>	<u>5,722,331</u>
Less Accumulated Depreciation				
Buildings	480,343	33,192	-	513,535
Equipment - Road	2,475,708	371,800	102,531	2,744,977
Equipment - Shop	50,794	2,274	1,067	52,001
Equipment - Office	79,758	15,428	500	94,686
Equipment - Engineer	5,056	312	1,300	4,068
Depletable Assets	49,107	-	-	49,107
Infrastructure - Roads	-	285	-	285
Subtotal	<u>3,140,766</u>	<u>423,291</u>	<u>105,398</u>	<u>3,458,659</u>
Net Capital Assets Being Depreciated	<u>2,620,353</u>	<u>(350,807)</u>	<u>5,874</u>	<u>2,263,672</u>
Total Net Capital Assets	<u>\$ 2,693,445</u>	<u>\$ (350,807)</u>	<u>\$ 5,874</u>	<u>\$ 2,336,764</u>

Depreciation expense was charged to the programs of the Crawford County Road Commission as follows:

Net Equipment Expense	\$ 387,735
Net Administrative Expense	20,478
Infrastructure	285
Salt Storage Sheds	<u>14,793</u>
Total Depreciation	<u>\$ 423,291</u>

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT**

The Road Commission for Crawford County provides pension benefits for all of its full time employees through a defined benefit plan. The Road Commission is in an agent multi-employer plan with Municipal Employees Retirement System of Michigan (MERS). The year ended December 31, 1993 was the first year of participation in this plan.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis, to the State's local government employees in the most efficient and effective manner possible. As such, MERS was a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries. The Road Commission has no fiduciary responsibility for the plan.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

A member may retire with an age and service allowance after completing: (1) at least 10 years of credited service, and (2) attaining the minimum retirement age of 60.

Final Average Compensation (FAC) is the average of a member's monthly pay during the period of 60 consecutive months of credited service.

Credited service is a combination of the prior service a member accrued prior to their employer joining MERS and the membership service that accrues after that date. Because MERS is a state-wide retirement system with over 450 member municipalities, credited service can be a combination of service with several employers.

The age and service allowance is the normal retirement benefit and is payable monthly for the lifetime of a member. It equals a 2.0% or 2.25% of a member's FAC, dependent upon the member's division multiplied by the number of years of credited service.

A member in service may retire with an early retirement benefit in one of two manners: (1) by completing at least 15 years of credited service and attaining age 55, or (2) by completing at least 25 years of credited service and attaining age 50. The early retirement benefit is computed in the same manner as an age and service allowance but reduced by 1/2 of 1% for each month the retirant is younger than the minimum service retirement age.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)**

If a member leaves MERS covered employment before attaining the early retirement age, but after completing 10 or more years of service, the member becomes eligible for a deferred allowance, provided the member or the member's designated beneficiary lives to the member's minimum service retirement age and the member's accumulated contributions remain on deposit.

A member with 10 or more years of credited service who becomes totally and permanently disabled from other than duty related causes is eligible for a non-duty disability benefit computed in the same manner as an age and service allowance, based upon the member's service and salary at time of disability.

A member who becomes totally and permanently disabled due to a duty related injury or disease is eligible for a duty disability benefit computed in the same manner as an age and service allowance based upon a minimum of 10 years of service. In the case of both non-duty and duty disability benefits, there is a limitation on total compensation received by a disability retiree of 100% of the member's final average compensation. Continuing medical examinations are required as indicated by the board's medical advisor.

Upon the death of a member who had completed at least 10 years of credited service, the member's eligible surviving dependents would receive the following benefits: (1) the surviving spouse receives an allowance equal to 85% of the amount the deceased would have received, computed upon the deceased member's service and salary at the time of death, (2) when no spouse benefit is payable, the dependent children under age 21 each receive an equal share of 50% of an age and service allowance computed upon the deceased member's service and salary at the time of death. A beneficiary of a duty related death would receive the higher of 85% of the amount the deceased member would have received or 25% of the FAC. In a duty related death, the 10 years of credited service requirement is waived.

**Actuarial Accrued Liability**

The Actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)**

At December 31, 2003, for Crawford County Road Commission, the assets were less than the actuarial accrued liability by \$2,309,817, determined as follows:

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 1,644,837
Terminated employees not yet receiving benefits	142,688
Non-vested terminated employees (pending refunds of accumulated member contributions)	6,328
Current employees -	
Accumulated employee contributions including allocated investment income	251,617
Employer financed	<u>2,361,917</u>
Total Actuarial Accrued Liability	4,407,387
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$1,915,308)	<u>2,097,570</u>
Unfunded (Overfunded) Actuarial Accrued Liability	\$ <u><u>2,309,817</u></u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ 122,716	100%	\$ -
1998	125,868	100%	-
1999	125,920	100%	-
2000	154,781	100%	-
2001	140,107	100%	-
2002	174,799	100%	-
2003	191,302	100%	-

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)**

The total payroll was \$1,411,300 and covered payroll for the year ended September 30, 2003 was \$1,394,877. The Road Commission was required to deposit \$190,512 for its contribution. The members of the collective bargaining unit were required to contribute 3.2% of compensation until July 1, 2002 when the rate changed to 4.3% as a result of changing to the B-3 benefit and the other employees were required to contribute 1.6% of compensation, which is \$53,322. The actual amount contributed to the plan was \$243,835 which is the sum of the employer and employee contributions.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
1993	\$ 67,010	\$ 918,118	\$ 851,108	7%	\$ 680,886	125%
1994	154,438	1,087,887	928,449	15%	731,062	127%
1995	290,130	1,579,566	1,289,436	18%	871,240	148%
1996	404,056	1,836,022	1,431,966	22%	869,858	165%
1997	629,507	2,065,386	1,435,879	30%	897,424	160%
1998	826,858	2,394,161	1,567,303	35%	851,795	184%
1999	1,057,610	2,245,134	1,187,524	47%	927,753	128%
2000	1,295,227	3,206,258	1,911,031	40%	1,296,931	147%
2001	1,534,472	3,286,555	1,752,083	47%	1,251,488	140%
2002	1,785,770	4,008,597	2,222,827	45%	1,292,341	172%
2003	2,097,570	4,407,387	2,309,817	48%	1,254,731	184%

Notes: Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. Total retired life assets and liabilities are reflected in MERS this schedule beginning in 1984. The funding method was changed to entry age normal for the 1993 valuation.

Annual Required Contribution

The Annual Required Contribution (ARC) for the plan year beginning January 1, 2005 is \$200,292. Significant actuarial assumptions used in determining the ARC are mentioned under the "Actuarial Accrued Liability" section of this note. The amortization factor used is 0.053632.

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 9 - LONG-TERM DEBT**

The Long-Term Debt of the Road Commission is composed of eight items; six capitalized leases, vested vacation and sick leave and Act 51 Bonds payable.

Terms of the vested vacation and sick pay are shown in Note 1 - Compensated Absences.

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities				
Capitalized leases	\$ 498,652	\$ (15,839)	\$ 482,813	\$ 59,218
Act 51 bonds	450,000	(60,000)	390,000	60,000
Compensated absences	71,258	(12,512)	58,746	-
	<u>\$ 1,019,910</u>	<u>\$ (88,351)</u>	<u>\$ 931,559</u>	<u>\$ 119,218</u>

**Capitalized Leases**

<u>Payable to:</u>	<u>Lease Date</u>	<u>Equipment</u>	<u>Principal Due</u>
Caterpillar Financial			
Monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/06 Interest rate 6.00%	1/18/01	Motor Grader	\$ 134,283
Caterpillar Financial			
Monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/06 Interest rate 6.00%	1/18/01	Motor Grader	134,858
Caterpillar Financial			
Monthly payments of \$705 with a final payment of \$70,705 due 6/14/07 Interest rate 4.50%	6/14/02	938G Loader	83,322
Caterpillar Financial			
Monthly payments of \$347 with a final payment of \$90,347 due 6/14/07 Interest rate 4.50%	6/14/02	950G Loader	90,272
Caterpillar Financial			
Quarterly payments of \$2,497 with a final payment of \$31,000 due 4/20/05 Interest rate 4.50%	4/20/02	Soil Drum Compactor	32,783
Caterpillar Financial			
Annual payments of \$7,569 with a final payment of \$7,569 due 5/15/05 Interest rate 3.75%	5/15/03	Excavator	7,295
Total Capitalized Leases			<u>\$ 482,813</u>

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 9 - LONG-TERM DEBT (Continued)**

The Act 51 Bonds were issued June 18, 1990 in the amount of \$1,000,000 for the purpose of defraying part of the cost of acquiring and constructing a maintenance garage facility. Interest payments are required semi-annually on February 1st and August 1st. Principal payments are due annually on August 1st. Interest rates varied from 6.8% to 9.12%.

The bonds were refunded on October 21, 1997 with a resulting weighted average interest rate of 6.418%. The net present value savings of the refinancing is \$41,837 with a net cumulative savings of \$55,819. The first call date for the bonds is August 1, 2007 with the first callable maturity being August 1, 2008.

A schedule of the outstanding debt follows:

<u>Payment Date</u>	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
Feb - 2005		\$ 10,550	\$ 10,550	
Aug - 2005	\$ 60,000	14,010	74,010	\$ 84,560
Feb - 2006		9,592	9,592	
Aug - 2006	60,000	11,880	71,880	81,472
Feb - 2007		6,676	6,676	
Aug - 2007	65,000	6,676	71,676	78,352
Feb - 2008		5,100	5,100	
Aug - 2008	65,000	5,100	70,100	75,200
Feb - 2009		3,475	3,475	
Aug - 2009	70,000	3,475	73,475	76,950
Feb - 2010		1,690	1,690	
Aug - 2010	70,000	(3,310)	66,690	68,380
	<u>\$ 390,000</u>	<u>\$ 74,914</u>	<u>\$ 464,914</u>	

Total debt payments due in future years are shown below:

	<u>Capitalized Leases</u>		<u>Act 51 Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 59,218	\$ 24,461	\$ 60,000	\$ 24,560
2006	260,043	11,921	60,000	21,472
2007	163,553	4,860	65,000	13,352
2008	-	-	65,000	10,200
2009	-	-	70,000	6,950
2010	-	-	70,000	(1,620)
Total	<u>\$ 482,814</u>	<u>\$ 41,242</u>	<u>\$ 390,000</u>	<u>\$ 74,914</u>

**Crawford County Road Commission**  
**Notes to Financial Statements**  
**September 30, 2004**

**NOTE 10 - STATE REVENUE - ALLOCATION**

The Road Commission transferred 30.0% of the primary allocation to the Local Road Fund. The transfer was an "optional" transfer in the amount of \$444,795.

**NOTE 11 - STATE MAINTENANCE**

The State of Michigan has completed the audit of the State Trunkline Maintenance contract for the year ended September 30, 2002. This audit shows that the Road Commission owes the State \$62,857. This amount is reflected in the financial statements as of September 30, 2004.

**NOTE 12 - POST EMPLOYMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described in Note 8, the Road Commission provides postretirement health care benefits for retirees who are between the ages of 62 and 65. The Road Commission pays the premium for the retiree and one half of the premium expense for spouse coverage. This benefit is established by union contract and is funded on a pay-as-you go basis. This cost for this benefit for the year ended September 30, 2004 was \$42,153.

**Required Supplementary Information**

**Crawford County Road Commission  
Required Supplementary Information  
Statement of Revenues and Other Financing Sources  
Budgetary Comparison Schedule  
Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Licenses and Permits:				
Permits	\$ 28,000	\$ 17,000	\$ 18,584	\$ 1,584
Federal Aid:				
Surface Trans. Program	-	-	61,505	61,505
State Aid:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Primary Road	1,200,000	1,444,000	1,482,650	38,650
Local Road	1,090,000	1,050,000	1,074,120	24,120
Snow Removal	50,000	62,000	62,889	889
Economic Development:				
Forest Road	89,000	89,000	-	(89,000)
Contributions From Local Units:				
Townships	150,000	1,900	175	(1,725)
Charges For Services:				
Trunkline Maintenance	960,000	900,000	855,130	(44,870)
Trunkline Nonmaintenance	59,325	7,000	128,132	121,132
Salvage Sales	-	-	3,121	3,121
Interest and Rents:				
Interest Earned	12,000	10,000	8,196	(1,804)
Property Rentals	3,000	3,000	3,902	902
Other Revenues:				
Gain (Loss) on Equipment Disposals	-	-	8,897	8,897
Other Contributions	-	37,000	101,580	64,580
Total Operating Revenue	<u>3,651,325</u>	<u>3,630,900</u>	<u>3,818,881</u>	<u>187,981</u>
Other Financing Sources				
Proceeds From Lease Purchase Agreements	-	-	14,841	14,841
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>14,841</u>	<u>14,841</u>
Total Revenues and Other Financing Sources	3,651,325	3,630,900	\$ <u><u>3,833,722</u></u>	\$ <u><u>202,822</u></u>
Fund Balance - October 1, 2003	<u>814,041</u>	<u>814,041</u>		
Total Budget	\$ <u><u>4,465,366</u></u>	\$ <u><u>4,444,941</u></u>		

**Crawford County Road Commission  
Required Supplementary Information  
Statement of Expenditures  
Budgetary Comparison Schedule  
Year Ended September 30, 2004**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road:				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	403,880	100,000	58,007	41,993
Maintenance	666,289	855,000	760,565	94,435
Local Road:				
Heavy Maintenance	25,000	20,000	11,690	8,310
Maintenance	850,000	1,185,000	1,214,462	(29,462)
Primary Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	5,000	3,818	1,182
Local Road Structure:				
Heavy Maintenance	275,000	-	-	-
Maintenance	5,000	170,000	268,177	(98,177)
State Trunkline:				
Maintenance Expense	960,000	900,000	899,327	673
Nonmaintenance	-	-	128,133	(128,133)
Equipment Expense - Net				
Direct			925,969	
Indirect			318,645	
Operating			-	
Less: Equipment Rentals	-	25,000	(1,171,429)	
			73,185	(48,185)
Administrative Expense - Net				
Administrative Expense			461,367	
Less: Overhead -State Trunkline			(85,623)	
Other Overhead			(10,600)	
Handling Charges			(164)	
	310,000	385,000	364,980	20,020
Capital Outlay (Net)				
Capital Outlay			49,680	
Less: Depreciation Credits			(408,213)	
Equipment Retirements			(5,944)	
	2,850	(320,000)	(364,477)	44,477
Debt Service:				
Principal Payments	91,000	91,000	90,679	321
Interest Expense	62,306	45,000	57,822	(12,822)
Total Expenditures	3,651,325	3,461,000	\$ 3,566,368	\$ (105,368)
Fund Balance - September 30, 2004	814,041	983,941		
Total Expenditures	\$ 4,465,366	\$ 4,444,941		

## Supplementary Information

**Crawford County Road Commission  
General Operating Fund  
Analysis of Changes in Available Operating Balances  
Year Ended September 30, 2004**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission Fund</u>	<u>TOTAL</u>
Total Operating Revenues	\$ 1,560,253	\$ 1,268,568	\$ 990,060	\$ 3,818,881
Total Expenditures	<u>836,835</u>	<u>1,767,153</u>	<u>962,380</u>	<u>3,566,368</u>
Excess of Revenues Over/(Under) Expenditures	<u>723,418</u>	<u>(498,585)</u>	<u>27,680</u>	<u>252,513</u>
Other Financing Sources (Uses):				
Proceeds From Lease Purchase Agreements	14,841	-	-	14,841
Optional Transfers In (Out)	(444,795)	444,795	-	-
Interfund Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(429,954)</u>	<u>444,795</u>	<u>-</u>	<u>14,841</u>
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other (Uses)	293,464	(53,790)	27,680	267,354
Beginning Fund Balance - October 1, 2003	<u>238,604</u>	<u>105,103</u>	<u>470,334</u>	<u>814,041</u>
Ending Fund Balance - September 30, 2004	\$ <u><u>532,068</u></u>	\$ <u><u>51,313</u></u>	\$ <u><u>498,014</u></u>	\$ <u><u>1,081,395</u></u>

**Crawford County Road Commission  
General Operating Fund  
Analysis of Revenues  
Year Ended September 30, 2004**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission Fund</u>	<u>Total</u>
Licenses and Permits:				
Permits	\$ 18,584	\$ -	\$ -	\$ 18,584
Federal Aid:				
Surface Trans. Program	(21,017)	82,522	-	61,505
State Aid:				
Michigan Transportation Fund:				
Engineering	5,799	4,201	-	10,000
Primary Road	1,482,650	-	-	1,482,650
Local Road	-	1,074,120	-	1,074,120
Snow Removal	-	62,889	-	62,889
Economic Development:				
Forest Road	-	-	-	-
Contributions From Local Units:				
Townships	-	175	-	175
Charges For Services:				
Trunkline Maintenance	-	-	855,130	855,130
Trunkline Nonmaintenance	-	-	128,132	128,132
Salvage Sales	-	3,121	-	3,121
Interest and Rents:				
Interest Earned	2,402	1,058	4,736	8,196
Property Rentals	-	3,902	-	3,902
Other Revenues:				
Gain (Loss) on Equipment Disposals	6,835	-	2,062	8,897
Other Contributions	65,000	36,580	-	101,580
Total Operating Revenue	<u>1,560,253</u>	<u>1,268,568</u>	<u>990,060</u>	<u>3,818,881</u>
Other Financing Sources				
Proceeds From Lease Purchase Agreements	14,841	-	-	14,841
Total Other Financing Sources	<u>14,841</u>	<u>-</u>	<u>-</u>	<u>14,841</u>
Total Revenues and Other Financing Sources	<u>\$ 1,575,094</u>	<u>\$ 1,268,568</u>	<u>\$ 990,060</u>	<u>\$ 3,833,722</u>

**Crawford County Road Commission  
General Operating Fund  
Analysis of Expenditures  
Year Ended September 30, 2004**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission Fund</u>	<u>Total</u>
Primary Road:				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	58,007	-	-	58,007
Maintenance	760,565	-	-	760,565
Local Road:				
Heavy Maintenance	-	11,690	-	11,690
Maintenance	-	1,214,462	-	1,214,462
Primary Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	3,818	-	-	3,818
Local Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	268,177	-	268,177
State Trunkline:				
Maintenance Expense	-	-	899,327	899,327
Nonmaintenance	-	-	128,133	128,133
Equipment Expense (Net) (Per Page 29)	13,942	37,405	21,838	73,185
Administrative Expense (Net)(Per Page 29)	129,561	235,419	-	364,980
Capital Outlay (Net) (Per Page 29)	(277,559)	-	(86,918)	(364,477)
Debt Service:				
Principal Payments	90,679	-	-	90,679
Interest Expense	57,822	-	-	57,822
Total Expenditures	\$ <u>836,835</u>	\$ <u>1,767,153</u>	\$ <u>962,380</u>	\$ <u>3,566,368</u>